

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

LEX CLAIMS, LLC et al.,

Plaintiffs,

v.

ALEJANDRO GARCÍA PADILLA et al.,

Defendants.

16-cv-2374 (FAB)

DEFENDANTS' ANSWER TO PLAINTIFFS' SECOND AMENDED COMPLAINT

COME NOW, co-defendants Commonwealth of Puerto Rico, Hon. Alejandro García Padilla, Hon. Juan C. Zaragoza Gómez, and Hon. Luis Cruz Batista, in their respective official capacities (collectively "Defendants"), by and through their undersigned counsel, hereby answer Plaintiffs' Second Amended Complaint as follows:

1. The first sentence of Paragraph 1 characterizes Plaintiffs' second amended complaint and this litigation, and no response thereto is required. The second sentence of Paragraph 1 purports to allege legal conclusions and characterizations of PROMESA. Defendants refer to the text of PROMESA, which speaks for itself.

2. Defendants deny the allegations of Paragraph 2.

3. Defendants refer to the text of Section 204 of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 3.

4. Defendants refer to the text of Section 207 of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 4.

5. Defendants lack knowledge or information sufficient to form a belief as to the truth of the factual allegations regarding Plaintiffs' bond ownership. To the extent Paragraph 5

purports to allege legal conclusions or characterizations of Article VI of the Puerto Rico Constitution, no response thereto is required, and Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself.

6. Paragraph 6 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 6 contains factual allegations or characterizations of the Puerto Rico Constitution and Exhibit A of Plaintiffs' second amended complaint, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

7. Defendants refer to the text of Exhibits B and C of Plaintiffs' second amended complaint, which speak for themselves. Defendants deny any remaining allegations in Paragraph 7.

8. Paragraph 8 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 8 contains factual allegations or characterizations of PROMESA and the Puerto Rico Constitution, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

9. Defendants admit that Governor García Padilla issued Executive Order 2016-30. The remainder of Paragraph 9 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 9 contains factual allegations or characterizations of the Executive Order and PROMESA, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

10. Defendants admit that the Commonwealth enacted a budget for Fiscal Year 2017. The remainder of Paragraph 10 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 10 contains factual allegations or characterizations of the Fiscal Year 2017 budget, Defendants deny such allegations and refer to the text of the Fiscal

Year 2017 budget, which speaks for itself.

11. Defendants deny the allegations of Paragraph 11, except to state that legislation enacted by the Commonwealth of Puerto Rico speaks for itself.

12. Paragraph 12 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 12 contains factual allegations or characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

13. Paragraph 13 characterizes Plaintiffs' second amended complaint and this litigation. No response thereto is required. To the extent Paragraph 13 contains factual allegations or characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

14. Defendants refer to the text of Section 303(3) of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 14.

15. Paragraph 15 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 15 contains factual allegations or characterizations of the Puerto Rico Constitution, Defendants deny such allegations and refer to the text of the Puerto Rico Constitution, which speaks for itself. For avoidance of doubt, Defendants expressly deny the allegations in the last sentence of Paragraph 15.

16. Paragraph 16 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 16 contains factual allegations or characterizations of the Puerto Rico Constitution, Defendants deny such allegations and refer to the text of the Puerto Rico Constitution, which speaks for itself.

17. Defendants admit that Governor García Padilla issued the Executive Order on the

same day PROMESA was signed into law. The remainder of Paragraph 17 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 17 contains factual allegations or characterizations of the Executive Order, Defendants deny such allegations and refer to the text of the Executive Order, which speaks for itself.

18. Defendants deny the allegations of Paragraph 18.

19. Defendants deny the allegations in the first sentence of Paragraph 19. The remainder of Paragraph 19 purports to allege legal conclusions, and no response thereto is required. To the extent the remainder of Paragraph 19 contains factual allegations or characterizations of Act No. 56-2007, Act No. 291-2006, and the Puerto Rico Constitution, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

20. Paragraph 20 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 20 contains factual allegations or characterizations of PROMESA, the Puerto Rico Constitution, and the Executive Order, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

21. Paragraph 21 purports to allege legal conclusions and to characterize PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

22. Defendants deny the allegations of Paragraph 22.

23. Defendants admit that the parties listed in Paragraph 23 are Plaintiffs in this action. Defendants lack knowledge or information sufficient to form a belief as to the truth of the factual allegations regarding Plaintiffs' bond holdings.

24. Defendants admit the allegations of Paragraph 24.

25. Defendants admit the allegations of Paragraph 25. Footnote 1 purports to allege a legal conclusion, and no response thereto is required.

26. Defendants admit the allegations of Paragraph 26.

27. Defendants admit the allegations in the first sentence of Paragraph 27. The second sentence of Paragraph 27 purports to allege a legal conclusion, and no response thereto is required.

28. Defendants deny the allegations of Paragraph 28, except to state that Puerto Rico law provides for the official duties of each of the individuals listed in paragraphs 25-27.

29. Defendants admit the allegations of Paragraph 29.

30. Defendants admit the allegations of Paragraph 30.

31. Defendants admit the allegations of Paragraph 31.

32. Defendants deny the allegations of Paragraph 32, except to state that the Defendants listed in Paragraphs 29-31 have the respective roles ascribed to them in those paragraphs.

33. Paragraph 33 characterizes Plaintiffs' second amended complaint and this litigation. No response thereto is required.

34. Paragraph 34 purports to allege a legal conclusion, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

35. Defendants admit that Governor García Padilla delivered an address on June 29, 2015, the transcript of which speaks for itself. Defendants deny the remaining allegations of Paragraph 35.

36. Defendants deny the allegations of Paragraph 36, except to state that Puerto Rico considered various legislative options in response to its unprecedented fiscal crisis.

37. Defendants deny the allegations of Paragraph 37, except to state that Puerto Rico considered various legislative options in response to its unprecedented fiscal crisis. Defendants refer to the actions of Congress, which speak for themselves.

38. Defendants admit that Congress passed PROMESA and that the President signed it into law on June 30, 2016. The remainder of Paragraph 38 purports to allege legal conclusions and to characterize PROMESA. No response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

39. Paragraph 39 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 39 contains factual allegations or characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

40. Defendants admit the allegations in the first three sentences of Paragraph 40. The fourth sentence of Paragraph 40 purports to allege a legal conclusion and to characterize PROMESA, and no response thereto is required. Defendants deny the remaining allegations of Paragraph 40.

41. Paragraph 41 purports to allege legal conclusions and to characterize PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself. Defendants deny any remaining factual allegations in Paragraph 41.

42. Defendants refer to the text of Section 405(a)(1) of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 42.

43. Defendants refer to the text of Section 405(a)(2) of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 43.

44. Paragraph 44 purports to allege legal conclusions, and no response thereto is

required. To the extent Paragraph 44 contains characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

45. The first sentence of Paragraph 45 purports to allege a legal conclusion, and no response thereto is required. Defendants deny the remaining allegations of Paragraph 45.

46. Paragraph 46 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 46 contains factual allegations or characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

47. The first sentence of Paragraph 47 purports to allege legal conclusions, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself. Defendants deny the factual allegations in the second and third sentences of Paragraph 47.

48. Defendants deny the allegations in Paragraph 48.

49. Paragraph 49 purports to allege legal conclusions and to characterize PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself. To the extent Paragraph 49 contains factual allegations, Defendants deny such allegations.

50. Paragraph 50 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 50 contains characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself. To the extent Paragraph 50 contains factual allegations, Defendants deny such allegations.

51. Paragraph 51 purports to allege legal conclusions and to characterize Section 204 of PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

52. Paragraph 52 purports to allege legal conclusions and to characterize Section 207 of PROMESA, and no response thereto is required. To the extent Paragraph 52 contains characterizations of PROMESA's purpose, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

53. Paragraph 53 purports to allege legal conclusions and to characterize Section 303(3) of PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

54. Paragraph 54 purports to allege legal conclusions and to characterize Section 303(3) of PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

55. Paragraph 55 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 55 contains factual allegations or characterizations of PROMESA's purpose, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

56. Paragraph 56 purports to allege legal conclusions and to characterize Section 303(1) of PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself.

57. Paragraph 57 purports to allege legal conclusions and to characterize PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks for itself. To the extent Paragraph 57 contains factual allegations, Defendants deny such allegations.

58. Paragraph 58 purports to allege legal conclusions and to characterize PROMESA, and no response thereto is required. Defendants refer to the text of PROMESA, which speaks

for itself. To the extent Paragraph 58 contains factual allegations, Defendants deny such allegations.

59. Paragraph 59 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 59 contains factual allegations, Defendants deny such allegations.

60. Defendants admit that the Commonwealth has GO Bond obligations outstanding. Defendants deny the remaining allegations of Paragraph 60.

61. Defendants admit that the Commonwealth has GO-Guaranteed Bond obligations outstanding. Defendants deny the remaining factual allegations of Paragraph 61. The last sentence of Paragraph 61 purports to allege a legal conclusion, and no response thereto is required.

62. Defendants admit that the Commonwealth has Bond obligations outstanding. Defendants deny the remaining allegations of Paragraph 62.

63. Paragraph 63 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 63 contains factual allegations or characterizations of the Puerto Rico Constitution and the 2014 Official Statement for the Commonwealth of Puerto Rico, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

64. Defendants admit that Congress enacted Public Law No. 81-600 in 1950. To the extent Paragraph 64 contains characterizations of Public Law 600, H.R. Doc. No. 82-435, and the Joint Resolution of July 3, 1952, Defendants refer to the text of those documents, which speak for themselves.

65. Paragraph 65 purports to allege legal conclusions and to characterize the Puerto

Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself. Defendants deny any remaining factual allegations in Paragraph 65.

66. Paragraph 66 purports to allege legal conclusions and to characterize P.R. Laws Ann. tit. 23 § 104(c), and no response thereto is required. Defendants refer to the text of the Section 104(c), which speaks for itself.

67. Paragraph 67 purports to allege legal conclusions and to characterize the Puerto Rico Constitution and Puerto Rico law, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution and P.R. Laws. Ann. tit. 13 §§ 37, 38, which speak for themselves.

68. Defendants admit that the Governor of Puerto Rico made the statements attributed to him by Paragraph 68. To the extent Paragraph 68 contains additional factual allegations, Defendants deny those allegations. The last sentence of Paragraph 68 purports to allege a legal conclusion, to which no response is required.

69. Paragraph 69 purports to allege legal conclusions to which no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself.

70. Paragraph 70 purports to allege legal conclusions and to characterize the Puerto Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself. Defendants deny any remaining factual allegations in Paragraph 70.

71. Paragraph 71 purports to allege legal conclusions and to characterize the Puerto Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself. Defendants deny any remaining factual allegations in

Paragraph 71.

72. Paragraph 72 purports to allege legal conclusions and to characterize the Puerto Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself.

73. Paragraph 73 purports to allege legal conclusions and to characterize the Puerto Rico Constitution and Puerto Rico law, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution and P.R. Laws. Ann. tit. 23, § 104(c), which speak for themselves. Defendants deny any remaining factual allegations in Paragraph 73.

74. Defendants deny the allegations of Paragraph 74.

75. Defendants admit that Governor García Padilla issued Executive Order 2016-30 on June 30, 2016. Defendants deny the remaining allegations of Paragraph 75.

76. Paragraph 76 purports to allege legal conclusions about the legality of Executive Order 2016-30. No response thereto is required. To the extent Paragraph 76 contains additional factual allegations or characterizations of the Moratorium Act or PROMESA, Defendants deny such allegations and refer to the text of those statutes, which speak for themselves.

77. Defendants deny the allegations of Paragraph 77. Defendants refer to the GDB press release referenced in Exhibit D, which speaks for itself.

78. Defendants refer to the Commonwealth's Fiscal Year 2017 budget, the Commonwealth's financial disclosures, the GDB press release in Exhibit D, and the Executive Order in Exhibit F, all of which speak for themselves. Defendants deny any remaining allegations of Paragraph 78.

79. The last sentence of Paragraph 79 purports to allege legal conclusions, and no response thereto is required. Defendants deny the remaining allegations of Paragraph 79, except

refer to the Commonwealth's Fiscal Year 2017 budget and the Commonwealth's financial disclosures, which speak for themselves.

80. Defendants deny the allegations of Paragraph 80 and refer to the text of P.R. Laws. Ann. tit 23, § 104(d)(1), which speaks for itself.

81. Defendants deny the allegations of Paragraph 81 and refer to the text of the Commonwealth's Fiscal Year 2017 budget, which speaks for itself.

82. Defendants deny the allegations of Paragraph 82 and refer to the text of the Commonwealth's Fiscal Year 2017 budget, which speaks for itself.

83. Defendants deny the allegations of Paragraph 83 and refer to the text of the Commonwealth's Fiscal Year 2017 budget, which speaks for itself.

84. Defendants deny the allegations of Paragraph 84 and refer to the text of the Commonwealth's Fiscal Year 2017 budget, which speaks for itself.

85. Defendants deny the allegations of Paragraph 85.

86. Defendants deny the allegations of Paragraph 86 and refer to the text of the Commonwealth's Fiscal Year 2017 budget, which speaks for itself. To the extent that Paragraph 86 purports to characterize PROMESA and the Puerto Rico Constitution, Defendants refer to the text of those documents, which speak for themselves.

87. Defendants admit that the Governor of Puerto Rico signed Act No. 74-2016 into law on July 20, 2016. To the extent Paragraph 76 contains additional factual allegations or characterizations of the Act No. 74-2016, PROMESA, or the Puerto Rico Constitution, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

88. Paragraph 88 purports to allege legal conclusions and characterizations of Act

No. 74-2016, and no response thereto is required. Defendants refer to the text of Act No 74-2016, which speaks for itself. To the extent Paragraph 88 contains factual allegations, Defendants deny such allegations.

89. Defendants refer to the text of Act No. 74-2016, which speaks for itself. To the extent Paragraph 89 contains factual allegations, Defendants deny such allegations.

90. Paragraph 90 purports to allege legal conclusions, and no response thereto is required. Defendants refer to the text of Act No. 74-2106, PROMESA, and the Puerto Rico Constitution, which speak for themselves. To the extent Paragraph 90 contains factual allegations, Defendants deny such allegations.

91. Defendants admit that Governor García Padilla signed the Executive Order contained in Exhibit E. Defendants refer to the text of that Executive Order, which speaks for itself. To the extent Paragraph 91 contains additional factual allegations, Defendants deny such allegations.

92. Defendants deny the allegations of Paragraph 92, but refer to the text of the official statements made by Governor García Padilla, GDB, and the Office of the Secretary of the Treasury referenced in Paragraph 92, which speak for themselves.

93. Paragraph 93 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 93 contains factual allegations, Defendants deny such allegations.

94. Defendants deny the allegations of Paragraph 94.

95. Paragraph 95 purports to allege legal conclusions and to characterize Act No. 56-2007, and no response thereto is required. Defendants refer to the text of Act No. 56-2007, which speaks for itself. To the extent Paragraph 95 contains factual allegations, Defendants

deny such allegations.

96. Defendants admit that COFINA has issued bonds. Defendants deny any remaining allegations contained in Paragraph 96.

97. Defendants admit that the COFINA bond structure operates as set forth in the Official Statement for Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bonds, First Subordinate Series 2011A. Defendants refer to the text of that document, which speaks for itself. Defendants deny any remaining allegations in Paragraph 97.

98. Paragraph 98 purports to allege legal conclusions and to characterize the Puerto Constitution and Act No. 56-2007, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution and Act No. 56-2007, which speak for themselves. To the extent Paragraph 98 contains factual allegations, Defendants deny such allegations.

99. Defendants deny the allegations of Paragraph 99.

100. Paragraph 100 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 100 contains factual allegations, Defendants deny such allegations.

101. Paragraph 101 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 101 contains factual allegations, Defendants deny such allegations.

102. Paragraph 102 purports to allege legal conclusions and to characterize Act No. 117-2006. No response thereto is required. Defendants refer to the text of Act No. 117-2006, which speaks for itself. To the extent Paragraph 102 contains factual allegations, Defendants deny such allegations.

103. Paragraph 103 purports to allege legal conclusions, and no response thereto is

required. To the extent Paragraph 103 contains factual allegations, Defendants deny such allegations.

104. Paragraph 104 purports to allege legal conclusions, to which no response thereto is required. To the extent Paragraph 104 contains factual allegations, Defendants deny such allegations.

105. Paragraph 105 purports to allege legal conclusions, to which no response thereto is required. Defendants admit that COFINA's revenues arise from SUT revenue. Defendants deny the remaining allegations of Paragraph 105.

106. Paragraph 106, including all subparts thereof, characterizes the language of COFINA's enabling act, P.R. Laws Ann. tit. 13 11a(b), 14a, which speaks for itself. No response thereto is required.

107. Paragraph 107 purports to allege legal conclusions and to characterize the Puerto Rico Constitution. No response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself. To the extent Paragraph 107 contains factual allegations, Defendants deny such allegations.

108. Defendants deny the allegations of Paragraph 108.

109. Defendants deny the allegations of Paragraph 109.

110. Paragraph 110 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 110 contains factual allegations, Defendants deny such allegations.

111. Paragraph 111 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 111 contains factual allegations, Defendants deny such allegations.

112. Defendants admit that the Commonwealth of Puerto Rico issued General Obligation Bonds of 2014 pursuant to the 2014 GO Bond Resolution. Defendants refer to the text of the 2014 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations of Paragraph 112.

113. Paragraph 113 purports to characterize the 2014 GO Bond Resolution, and no response thereto is required. Defendants refer to the text of the 2014 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations of Paragraph 113.

114. Paragraph 114 purports to characterize the 2014 GO Bond Resolution, and no response thereto is required. Defendants refer to the text of the 2014 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations of Paragraph 114.

115. Paragraph 115 purports to characterize the 2014 GO Bond Resolution, and no response thereto is required. Defendants refer to the text of the 2014 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations of Paragraph 115.

116. Paragraph 116 purports to characterize the 2014 GO Bond Resolution, and no response thereto is required. Defendants refer to the text of the 2014 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations of Paragraph 116.

117. Paragraph 117 contains the Plaintiffs' characterization of various Puerto Rico General Obligation Bond resolutions to which no response thereto is required.

118. Paragraph 118 purports to characterize the 2012 GO Bond Resolution, and no response thereto is required. Defendants refer to the text of the 2012 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations of Paragraph 118.

119. Paragraph 119 purports to characterize the 2012 GO Bond Resolution, and no response thereto is required. Defendants refer to the text of the 2012 GO Bond Resolution,

which speaks for itself. Defendants deny any remaining allegations of Paragraph 119.

120. Paragraph 120 purports to allege legal conclusions and to characterize the 2006 Official Statement for PRIFA Special Tax Revenue Bonds. Defendants refer to the text of the 2006 Official Statement, which speaks for itself. To the extent Paragraph 120 contains factual allegations, Defendants deny such allegations.

121. Paragraph 121 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 121 contains factual allegations, Defendants deny such allegations.

122. Paragraph 122 purports to allege legal conclusions and to characterize the Moratorium Act and Executive Order 2016-30. No response thereto is required. Defendants refer to the text of the Moratorium Act and Executive Order 2016-30, which speak for themselves. To the extent Paragraph 122 contains factual allegations, Defendants deny such allegations.

123. Paragraph 123 purports to allege legal conclusions and to characterize the Moratorium Act and Executive Order 2016-30. No response thereto is required. Defendants refer to the text of the Moratorium Act and Executive Order 2016-30, which speak for themselves. To the extent Paragraph 123 contains factual allegations, Defendants deny such allegations.

124. Paragraph 124 purports to allege legal conclusions and to characterize the Moratorium Act and Executive Order 2016-30. No response thereto is required. Defendants refer to the text of the Moratorium Act and Executive Order 2016-30, which speak for themselves. To the extent Paragraph 124 contains factual allegations, Defendants deny such allegations.

125. Paragraph 125 purports to allege legal conclusions and to characterize the Moratorium Act and Executive Order 2016-30. No response thereto is required. Defendants refer to the text of the Moratorium Act and Executive Order 2016-30, which speak for themselves. To the extent Paragraph 125 contains additional factual allegations, Defendants deny such allegations.

126. Defendants repeat and incorporate their responses to Paragraphs 1 through 125 as set forth above.

127. The first sentence of Paragraph 127 purports to allege legal conclusions and characterizations of the Declaratory Judgment Act. Defendants refer to the text of Declaratory Judgment Act, which speaks for itself. The second sentence of Paragraph 127 characterizes Plaintiffs' second amended complaint and this litigation, and no response thereto is required.

128. Defendants deny the allegations of Paragraph 128.

129. Defendants deny the allegations of Paragraph 129.

130. Defendants deny the allegations of Paragraph 130.

131. Defendants deny the allegations of Paragraph 131.

132. Defendants deny the allegations of Paragraph 132.

133. Paragraph 133, including all subparts thereof, characterizes Plaintiffs' second amended complaint and this litigation. No response thereto is required. To the extent Paragraph 133 contains factual allegations, Defendants deny such allegations.

134. Defendants deny the allegations of Paragraph 134.

135. Defendants repeat and incorporate their responses to Paragraphs 1 through 134 as set forth above.

136. Paragraph 136 characterizes Plaintiffs' second amended complaint and this

litigation. No response thereto is required.

137. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations of Paragraph 137.

138. Defendants deny the allegations of Paragraph 138.

139. Defendants deny the allegations of Paragraph 139.

140. Defendants deny the allegations of Paragraph 140.

141. Defendants deny the allegations of Paragraph 141.

142. Defendants deny the allegations of Paragraph 142.

143. Paragraph 143 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 143 contains factual allegations or characterizations of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

144. Defendants deny the allegations of Paragraph 144.

145. Defendants repeat and incorporate their responses to Paragraphs 1 through 144 as set forth above.

146. The first and second sentences of Paragraph 146 purport to allege legal conclusions, and no response thereto is required. To the extent those portions characterize the Moratorium Act or 11 U.S.C. § 109(b)(2), Defendants refer to the text of those statutes, which speak for themselves. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations of the third sentence of Paragraph 146.

147. Paragraph 147 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 147 contains factual allegations or characterizations of the Moratorium Act or PROMESA, Defendants deny such allegations and refer to the text of those statutes, which speak for themselves.

148. Defendants deny the allegations of Paragraph 148.

149. Defendants deny the allegations of Paragraph 149.

150. Defendants deny the allegations of Paragraph 150.

151. Defendants repeat and incorporate their responses to Paragraphs 1 through 150 as set forth above.

152. Paragraph 152 purports to allege legal conclusions and to characterize the Puerto Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself.

153. Paragraph 153 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 153 contains factual allegations, Defendants deny such allegations.

154. Paragraph 154 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 154 contains factual allegations or characterizations of the Moratorium Act or the Executive Order, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

155. Paragraph 155 purports to allege legal conclusions and to characterize the Puerto Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself.

156. Defendants deny the allegations of Paragraph 156.

157. Defendants deny the allegations of Paragraph 157.

158. Defendants repeat and incorporate their responses to Paragraphs 1 through 157 as set forth above.

159. Paragraph 159 purports to allege legal conclusions and to characterize the Puerto

Rico Constitution, and no response thereto is required. Defendants refer to the text of the Puerto Rico Constitution, which speaks for itself.

160. Defendants deny the factual allegations of Paragraph 160. To the extent Paragraph 160 purports to characterize Act No. 56-2007, Defendants refer to the text of that statute, which speaks for itself.

161. Defendants admit the first two sentences of Paragraph 161. The third sentence of Paragraph 161 purports to allege legal conclusions, and no response thereto is required. To the extent the third sentence of Paragraph 161 contains factual allegations or characterizations of the Puerto Rico Constitution, Defendants deny such allegations and refer to the text of the Puerto Rico Constitution, which speaks for itself.

162. Paragraph 162 purports to allege legal conclusions and to characterize the Puerto Rico Constitution, and no response thereto is required. To the extent Paragraph 162 contains factual allegations, Defendants deny such allegations.

163. Defendants repeat and incorporate their responses to Paragraphs 1 through 162 as set forth above.

164. Paragraph 164 purports to allege legal conclusions and to characterize the United States Constitution, the Puerto Rico Constitution, the Moratorium Act, and the Executive Order, and no response thereto is required. Defendants refer to the text of those documents, which speak for themselves.

165. The first three sentences of Paragraph 165 purport to allege legal conclusions and to characterize the Puerto Rico Constitution, the Moratorium Act, and the Executive Order, and no response thereto is required. Defendants refer to the text of those documents, which speak for themselves. Defendants deny the allegations in the fourth sentence of Paragraph 165 and any

remaining factual allegations in Paragraph 165.

166. Defendants deny the allegations of Paragraph 166.

167. Defendants admit that the Office of the Secretary of the Treasury issued a press release regarding the general fund on July 28, 2016 and refer to the contents of that document, which speaks for itself. Defendants deny the remaining allegations of Paragraph 167.

168. Defendants deny the allegations of Paragraph 168, except refer to the budgets and official government statements referenced therein, which speak for themselves.

169. Defendants admit that KPMG published a study regarding Puerto Rico tax policy on October 31, 2014 and refer to the contents of that document, which speaks for itself. Defendants admit that a budget for Fiscal Year 2017 has been drafted and refer to the contents of that document, which speaks for itself. Defendants deny the remaining allegations of Paragraph 169.

170. Defendants deny the allegations of Paragraph 170.

171. Defendants deny the allegations of Paragraph 171.

172. Defendants deny the allegations of Paragraph 172.

173. Defendants repeat and incorporate their responses to Paragraphs 1 through 172 as set forth above.

174. Paragraph 174 purports to allege legal conclusions and to characterize the United States and Puerto Rico Constitutions, and no response thereto is required. Defendants refer to the text of the United States and Puerto Rico Constitutions, which speak for themselves.

175. Defendants repeat and incorporate their responses to Paragraphs 1 through 174 as set forth above.

176. Paragraph 176 purports to allege legal conclusions and to characterize the United

States Constitution, and no response thereto is required. Defendants refer to the text of the United States Constitution, which speaks for itself.

177. Defendants deny knowledge or information sufficient to form a belief as to the truth of the factual allegations concerning Plaintiffs' ownership of bonds and deny knowledge or information sufficient to form a belief as to the truth of the remaining allegations of Paragraph 177 because the paragraph is vague in that it fails to specifically identify all of the referenced "vested contractual and property rights."

178. Paragraph 178 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 178 contains factual allegations, Defendants deny such allegations.

179. Paragraph 179 purports to allege legal conclusions and to characterize the United States Constitution, the Puerto Rico Constitution, the Moratorium Act, and the Executive Order, and no response thereto is required. Defendants refer to the text of those documents, which speak for themselves. To the extent Paragraph 179 contains factual allegations, Defendants deny such allegations.

180. Defendants deny the allegations of Paragraph 180.

181. Defendants repeat and incorporate their responses to Paragraphs 1 through 180 as set forth above.

182. Paragraph 182 purports to allege legal conclusions and to characterize the United States and Puerto Rico Constitutions, and no response thereto is required. Defendants refer to the text of the United States and Puerto Rico Constitutions, which speak for themselves. To the extent Paragraph 182 contains factual allegations, Defendants deny such allegations.

183. Defendants repeat and incorporate their responses to Paragraphs 1 through 182 as

set forth above.

184. Paragraph 184 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 184 contains factual allegations or characterizations of the Executive Order or the Moratorium Act, Defendants deny such allegations and refer to the text of those statutes, which speak for themselves.

185. Paragraph 185 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 185 contains factual allegations or characterizations of the United States Constitution, the Executive Order or the Moratorium Act, Defendants deny such allegations and refer to the text of those documents, which speak for themselves.

186. Defendants repeat and incorporate their responses to Paragraphs 1 through 185 as set forth above.

187. Defendants refer to the text of the 2014 GO Bond Resolution, which speaks for itself. Defendants deny any remaining allegations in Paragraph 187.

188. Paragraph 188 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 188 contains factual allegations or characterizations of the United States Constitution, Defendants deny such allegations and refer to the text of the United States Constitution, which speaks for itself.

189. Paragraph 189 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 189 contains factual allegations or characterizations of the Executive Order or the Moratorium Act, Defendants deny such allegations and refer to the text of those statutes, which speak for themselves.

190. Paragraph 190 purports to allege legal conclusions, and no response thereto is required. To the extent Paragraph 190 contains factual allegations or characterizations of the

Moratorium Act, Defendants deny such allegations and refer to the text of the Moratorium Act, which speaks for itself.

191. Defendants repeat and incorporate their responses to Paragraphs 1 through 190 as set forth above.

192. Defendants refer to the text of 42 U.S.C. § 1983, which speaks for itself. Defendants deny any remaining allegations in Paragraph 192.

193. Defendants deny the allegations of Paragraph 193.

194. Defendants repeat and incorporate their responses to Paragraphs 1 through 193 as set forth above.

195. Paragraph 195 purports to allege legal conclusions and characterizes Plaintiffs' second amended complaint and this litigation. No response thereto is required.

196. Defendants refer to the text of Section 405(e)(1) of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 196.

197. Defendants refer to the text of Section 405(e)(2) of PROMESA, which speaks for itself. Defendants deny any remaining allegations in Paragraph 197.

198. Defendants deny knowledge or information sufficient to form a belief as to the truth of the factual allegations concerning Plaintiffs' interest in this litigation. To the extent Paragraph 198 contains additional factual allegations or characterizations of Section 405(e)(2) of PROMESA, Defendants deny such allegations and refer to the text of PROMESA, which speaks for itself.

199. Paragraph 199 purports to allege legal conclusions and characterizes Plaintiffs' second amended complaint and this litigation. No response thereto is required. Defendants deny any factual allegations contained in Paragraph 199.

200. Defendants deny each and every allegation not specifically admitted herein.

AFFIRMATIVE DEFENSES

1. Plaintiffs' Second Amended Complaint is stayed in its entirety by Section 405(b)(1) of PROMESA.
2. Plaintiffs' Second Amended Complaint fails to state a claim upon which relief can be granted.
3. Plaintiffs' claims are barred by the doctrine of sovereign immunity.
4. Plaintiffs' lack standing to seek relief, including but not limited to injunctive relief, as they have not suffered irreparable harm.
5. Plaintiffs' claims are barred by the doctrine of laches.
6. Plaintiffs' claims are barred by the doctrine of estoppel.
7. Plaintiffs' claims are barred by the doctrine of waiver.
8. Plaintiffs' claims are barred by the doctrine of unclean hands.
9. Defendants reserve the right to amend their Answer to the Second Amended Complaint to include any other defenses that may become available or are revealed during this litigation.

WHEREFORE, Defendants demand judgment dismissing Plaintiffs' Second Amended Complaint and this action with prejudice, and awarding such other and further relief as the Court deems just and proper.

RESPECTFULLY SUBMITTED.

I **HEREBY CERTIFY** that on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to all counsel of record.

In San Juan, Puerto Rico, this 5th day of December, 2016.

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COLL**

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